

*SEDC Performance
Audit Update*

Audit Committee Meeting
July 31, 2008

SEDC Performance Audit Update Timeline

- 8/14/07 City issued Request for Proposal (RFP) for a Performance Audit of SEDC.
- 9/5/07 Response due date (Only two proposals received).
- 10/5/07 RFP awarded to Macias Consulting Group for a not to exceed contract price of \$125,080.

SEDC Performance Audit Update Timeline (Continued)

- 10/16/07 Approval process of Executive Director Action and Mayoral Action began.
- 11/28/07 Final approvals obtained on the Executive Director Action and Mayoral Action.
- 1/7/08 Entrance Conference held with an estimated Report Issuance Date of 5/30/08.
- 3/17/08 Time extension granted to Macias Consulting due to delays in receipt of documentation from SEDC, new estimated completion date 7/28/08.

SEDC Performance Audit Update Timeline (Continued)

- 7/14/08 Mayor's Office requests the scope of the original audit be expanded to address allegations of misuse of City funds by SEDC.
- 7/21/08 Purchasing approves the Sole Source Procurement of Macias Consulting Group for a not to exceed contract price of \$78,210.

SEDC Performance Audit Update

- New audit report completion date is 8/31/08. This report will include findings from both the original audit scope, as well as the new expanded scope.
- From January 7, 2008 through June 30, 2008 Macias has used approximately 1,239 audit hours. Total cost for the original audit is \$125,080.
- The Maximum cost for the expanded scope is \$78,210.
- Maximum total cost for the entire audit is \$203,290.

SEDC Performance Audit Update

Original Contract Scope

- Evaluate the efficiency and effectiveness of the organization, and to determine if organizational goals are being achieved. Specifically:
 - Evaluate the adequacy and appropriateness of the organization's goals and performance measures used, and the efficiency and effectiveness of the methods, procedures, and activities used to accomplish those goals.
 - Evaluate and determine the efficiency and effectiveness of SEDC's use of staff resources and consultants to achieve the organizational goals.
 - Evaluate and determine the efficiency and effectiveness of SEDC's project management procedures for redevelopment projects and properties.
 - Evaluate and determine to what extent SEDC is achieving its operational goals.

SEDC Performance Audit Update

Original Contract Scope (Continued)

- Evaluate and determine if SEDC is following sound procurement practices that are in compliance with pertinent regulations of the State of California Health and Safety Code related to the purchase of real estate that is being developed by the organization.
- Evaluate and determine if SEDC has sound budgeting practices and procedures and determine if their budgeting procedures provides adequate information to the Mayor and City Council based on the City's new Strong Mayor Form of Governance.
- Evaluate and determine if the level of information provided by SEDC management to its board members is adequate and in compliance with board rules and regulations.
- Evaluate and determine if SEDC has adequate internal controls over financial reporting.

SEDC Performance Audit Update

New Contract Scope

- Determine the extent to which SEDC's salary and non-salary compensation programs, including benefit programs, were used over the last five fiscal years to compensate employees.
- Determine the extent to which SEDC's compensation programs (salary and non-salary) are disclosed to the Board, the Redevelopment Agency and to the public.
- Gather and review complete listing of the SEDC vendor file including amounts paid to each vendor during fiscal year 2008.
- Obtain and, on a test basis, verify a listing of SEDC equipment and capital assets.

SEDC Performance Audit Update

New Contract Scope (continued)

- Gather and review all checks issued to employees for non-payroll services or an expenditure reimbursement for fiscal year 2008.
- Gather and review a detailed transaction listing for fiscal year 2008 for all accounts contained in the monthly expenditure reimbursement reports submitted by SEDC to the Redevelopment Agency.
- Gather and review any documentation relating to conflict of interest provisions in the Operating Agreement between the Redevelopment Agency and SEDC and determine if, based on all documentation reviewed, any conflict of interest exists with regard to any expenses paid by SEDC, compensation or otherwise.
- Assess controls within the financial system to ensure that the system enforces a proper segregation of duties and the system logs the transactions conducted by any particular person.

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Questions?